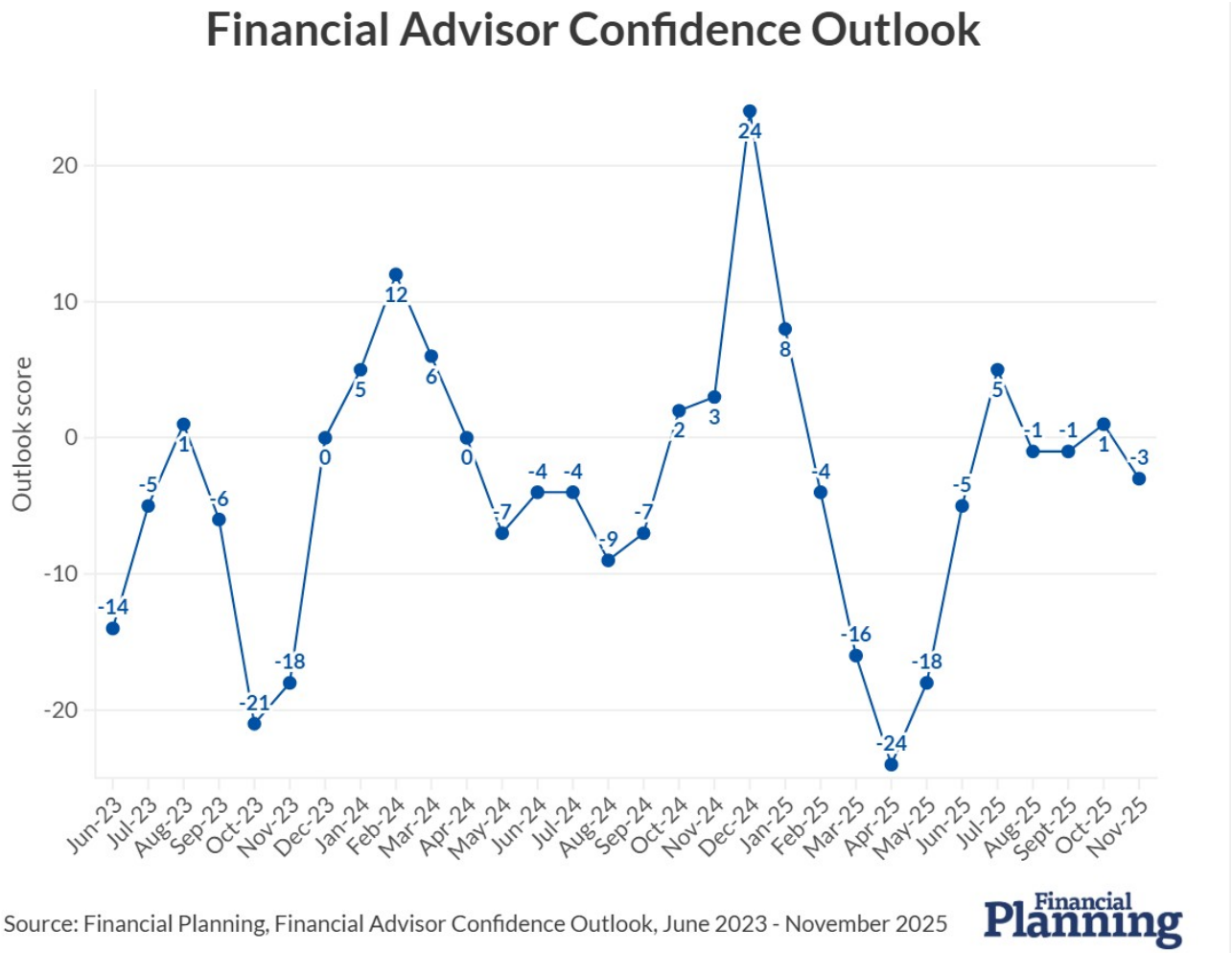
https://www.financial-planning.com/news/how-advisors-are-responding-to-falling-client-risk-tolerance

Advisors steady clients as risk tolerance falls
By Rob Burgess
November 12, 2025, 4:42 p.m. EST

Though the government shutdown may be nearing an end, ongoing political instability is starting to wear on both advisors and clients.

Those concerns were reflected in this month's Financial Advisor Confidence Outlook (FACO), a survey of advisors and planners from Financial Planning that measures confidence in the economy and other factors on a scale of minus-100 to 100.

Advisors' overall outlook slipped back into negative territory in November, with a score of minus-3, the lowest since June.



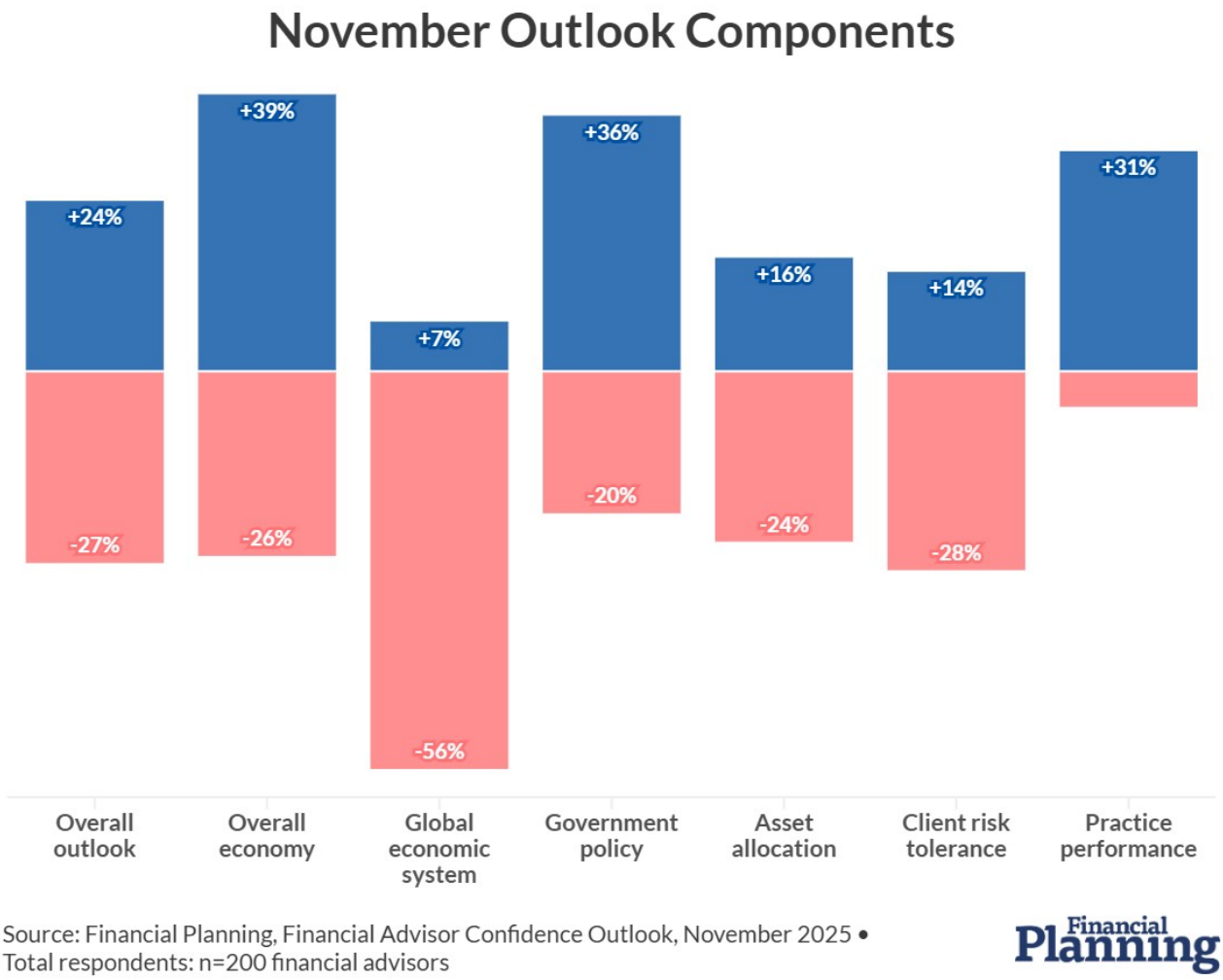
Several factors fed the overall loss of confidence. Advisors' sentiment weakened

across most categories measured by the survey:

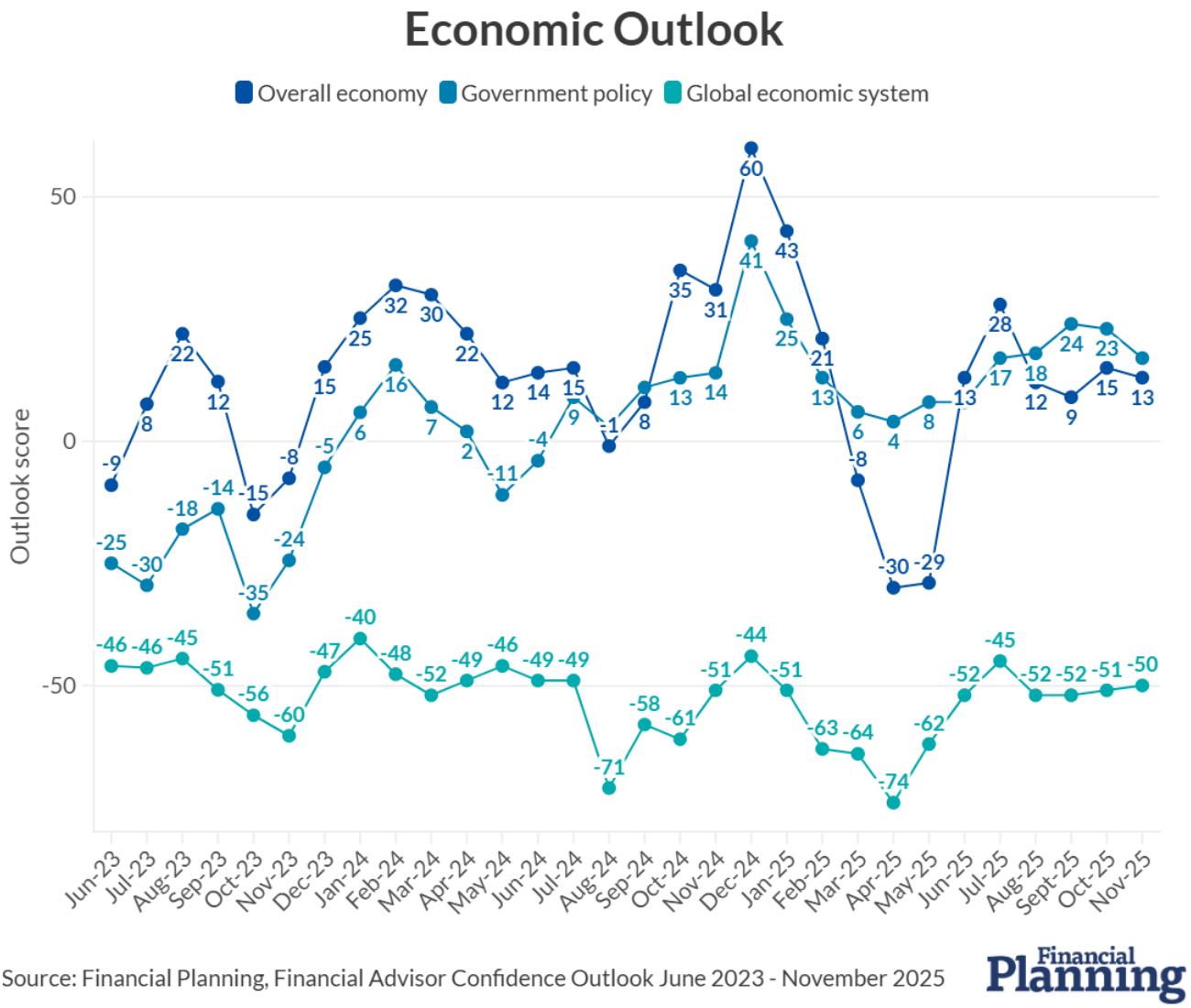
- Feelings about the overall economy dipped slightly from a score of 15 in October to 13 in November.
- Confidence in asset allocation fell further into the red, dipping from a score of minus-6 in October to minus-9 in November.
- Client risk tolerance saw a significant drop, down from a score of minus-8 in October to minus-14 in November.
- Practice performance also took a hit, sliding from a 2025 high score of 33 in October down to 27 in November.
- And faith in the global economic system remained very low, rising a point from minus-51 in October to minus-50 in November.

Government shutdown contributing to client fears

Behind this month's falling sentiment were politics and political uncertainty, with many survey respondents making reference to the government shutdown, Fed policy and tariffs.



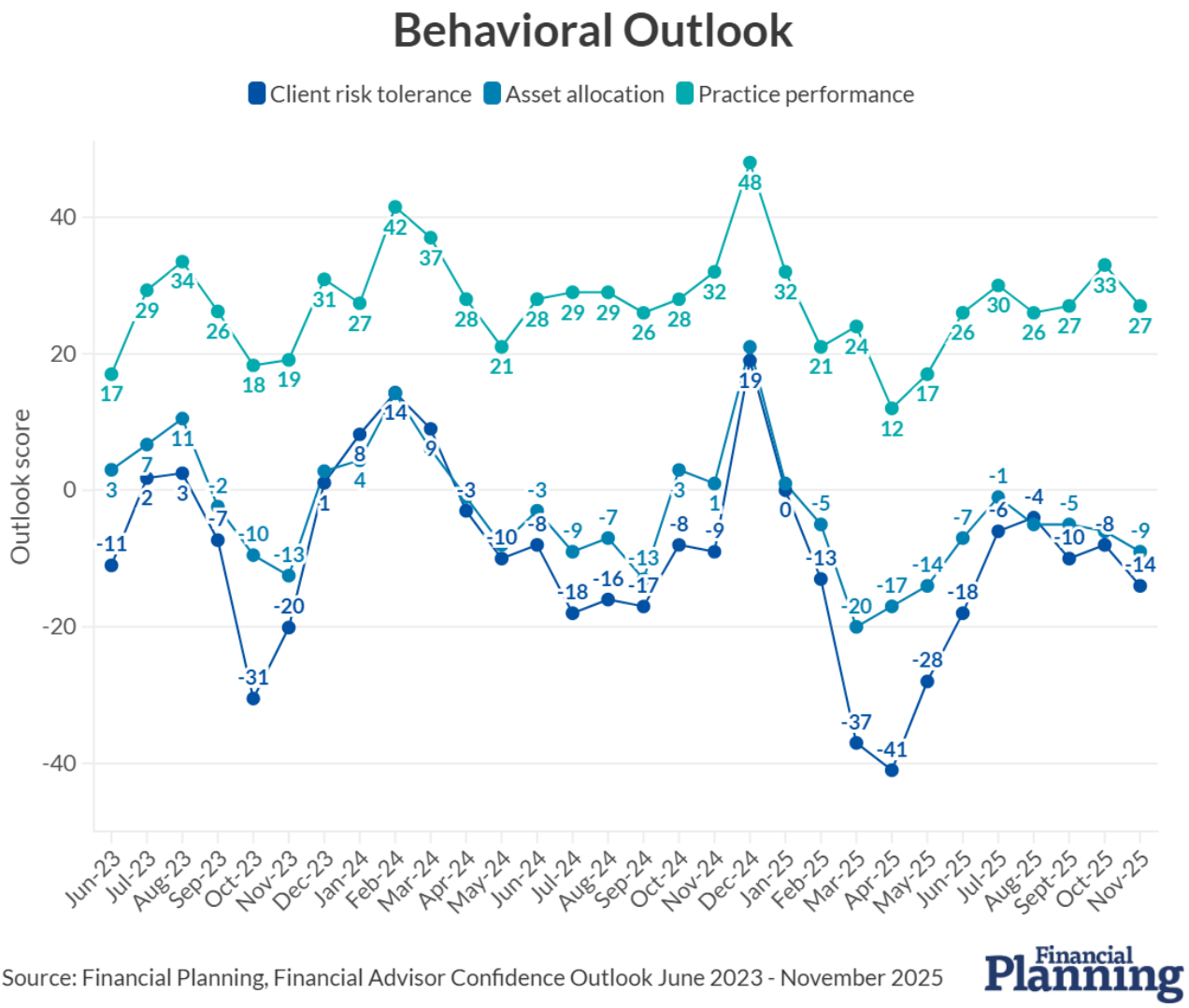
Some mentioned that their clients have been feeling cautious, "paralyzed," "holding cash" or "avoiding action."



Source: Financial Planning, Financial Advisor Confidence Outlook June 2023 - November 2025

In her practice, Kristy Jiayi Xu, financial advisor and founder of Global Wealth Harbor in Walnut Creek, California, said this instability has been a good reminder that advisors must continually emphasize setting the right expectations with clients.

"I always make sure clients understand that market volatility is normal and expected, and what we do is to have investment portfolios well prepared for possible volatility," said Xu, outside of the survey. "The goal is to make sure clients aren't caught off guard when the market moves and to reassure them that their portfolios are built to handle a wide range of conditions. The worst thing anyone can do is make big changes out of emotion in the middle of market turbulence."



From what she's been hearing, Xu said the main client concerns are still market uncertainty and the rising cost of living.

"These worries don't necessarily have a big impact on their risk tolerance, which is affected more by their specific financial situation and most of my clients are doing pretty well financially, but instead, it does impact their risk preference with their investments," she said. "[There is] less yearning for high returns and more interest in keeping their performance stable."

Reminding clients to ignore headlines and plan for the long term

Likewise, Hardik Patel, founder of Trusted Path Wealth Management in Santa Rosa, California, said his firm doesn't believe in forecasting short-term market movements or making investment decisions based on current events.

"My focus is on educating clients and conducting a thorough analysis of their risk tolerance and capacity. Each client's asset allocation is designed to align with their long-term goals, not the latest headlines," he said in an interview. "We have

clear plans in place for market downturns, including disciplined rebalancing based on pre-set thresholds and frequencies."

Rather than trying to predict what may happen next, Patel said he focuses on building resilient portfolios that can weather uncertainty.

"It's about ensuring clients stay invested and confident through whatever the markets deliver," he said. Patel said his clients understand their risk profiles and have chosen allocations they're comfortable with.

"We don't adjust risk tolerance based on short-term events," he said. "While they may express concern about current headlines, our conversations always come back to their long-term plan and staying disciplined."